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Industrial Development Board

Eleventh session

SUMMARY RECORD OF THE 9th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 28 October 1993, at 10 a.m.

President: Mrs. MACHADO QUINTELLA (Brazil)
later: Mrs. BECKER (United States of America)

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The meeting was called to order at 10.30 a.m.

OPENING OF THE RESUMED SESSION AND ORGANIZATION OF WORK

1. The PRESIDENT declared open the resumed eleventh session of the Industrial Development Board.

2. In accordance with decision IDB.11/Dec.39, the Board was resuming its eleventh session to consider the Director-General's proposals on the future policy framework and organizational and staff structure of UNIDO and to consider recommending themes on which the General Conference at its fifth session would focus its general debate.

3. In addition, it had been proposed that the Board should review its decision IDB.11/Dec.38 concerning the sixth special session of the Board, a decision adopted in July 1993 under agenda item 18 ("Date of the twelfth session of the Board"). If she heard no objection, she would take it that the Board was ready to review that decision, and the subject would be included in the agenda.

4. It was so decided.

ELECTION OF OFFICERS (continued)

5. The PRESIDENT said that, in accordance with the rules of procedure, it would be necessary to elect a new Vice-President to take the place of Vicomte Georges Vilain XIIII (Belgium). The group of Western European and other States had nominated Mrs. Jane Becker (United States of America).

6. Mrs. Becker (United States of America) was elected by acclamation.

UNIDO POLICIES (continued)

MEDIUM-TERM PLAN, 1994-1999 (continued)

ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO (continued)

NEW CONCEPTS AND APPROACHES FOR COOPERATION IN INDUSTRIAL DEVELOPMENT IN CONFORMITY WITH ARTICLE 2 (c) OF THE CONSTITUTION (continued)

7. The PRESIDENT invited the Board to take up consideration of the Director-General's proposals on the future policy framework and staff structure of UNIDO (IDB.11/31; IDB.11/CRP.7, CRP.8).

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8. Mr. DE MARIA Y CAMPOS (Director-General) said that, during the first six months of his tenure, UNIDO had faced short-term and medium- to long-term challenges. Symptomatic of the former had been the financial crisis brought on by the reduced technical cooperation delivery and income in the operational budget, coupled with Member States' requirement that the operational budget should be stabilized during the current financial year. That problem had not distracted attention from important medium- and long-term measures for structural change, such as those now requiring the Board's approval and support.

9. He had informed the Board in June that there would be a major shortfall in operational budget income compared with the original estimate of 24 million dollars. The Board's request that the operating budget should be balanced by the end of 1993 had made a significant reduction in staff and other costs unavoidable. The precise size of the staff reduction had depended, however, on the accuracy of further forecasts of operating budget income, which had been put in August at 14 million dollars for 1993; that figure had been confirmed by latest estimates, and the size of the staff reduction was therefore correctly based.

10. Even with the savings on staff and other expenditure areas, it had been necessary to run down the reserves considerably. The reserves were not expected to show a negative balance at year end, but a cautious spending policy would be needed for much of the next biennium. By keeping expenditure below income, he hoped to restore the reserves to between 1 and 2 million dollars in 1994 and to reach the statutory requirement of 5 million by the end of the biennium.

11. Conscious of the impact of staff reduction on individual staff members, everything possible had been done to minimize the numbers involved. Non-staff costs had been cut and staff had been moved from operational budget to regular budget posts where possible. However, there were constraints: non-staff costs had already been targeted in response to the imminent departure of one Member State from UNIDO membership, and regular budget posts were limited by the vacancy rates set by the Board.

12. A staff reduction of approximately 120 posts had been indicated. Every effort had been made to ensure that the process of identifying posts was fair, transparent and flexible, and there had been a dialogue with the Staff Council. No category of staff had been singled out and every effort had been made to minimize personal hardship. As of now, 80 staff members had agreed to separation and a number of other cases were in the final stages of approval. The remaining cases were being discussed with the staff concerned.

13. A staff reduction of the scale involved inevitably caused geographical and gender distribution imbalances. He expressed his concern at the fact that a significant number of women would be affected. That was a reflection of their high share of the General Service category, coupled with the age structure of women at the senior Professional level, as well as with the attractive financial packages offered to staff in that age group. He was, however, committed to rectifying such imbalances - through appropriate recruitment and promotion measures during 1994 - and to making changes in procedures that should facilitate the career advancement of women in the Professional category.

14. A ten per cent staff reduction exercise was bound to have an effect on morale, but the period of uncertainty had now ended and he looked forward to a period when a new, stronger and more dynamic UNIDO would offer proper career development for its staff and would be able, as income allowed, to selectively recruit the skilled staff needed to satisfy new demands.

15. Structural changes had to be undertaken to ensure that the 1993 financial crisis was not repeated. Member States had drawn attention to many of the structural problems in their informal consultations on the medium-term plan priorities. They had been further elaborated internally by the Task Force on Priorities and Structural Reform. Inputs had also come from discussions with the African Ministers of Industry in Mauritius and Latin American representatives at Caracas, from a dialogue with Vienna-based Permanent Missions and from Governments.

16. The aim had been to redesign UNIDO's priorities, structure and procedures to make the Organization more relevant to Member States' needs, more cost-effective and more quality-oriented.

17. The proposed new priorities and structure were the centrepiece of a concerted reform effort. The external forces for change were the world-wide policy changes, economic factors and technological trends affecting the roles not only of Governments, but also of enterprises and industrial institutions. System-wide changes in the United Nations meant that UNIDO would have to respond with new modalities of programme and project implementation, a decentralization strategy, improved coordination with other agencies and initiatives to mobilize funding from non-traditional partners.

18. UNIDO had to build on its strengths and overcome its weaknesses. Member States had indicated that UNIDO services should be more demand-driven, project quality strengthened and the Organization's structure streamlined.

19. The situation regarding demand was described in conference room paper IDB.11/CRP.7. Five development objectives had resulted from the analysis carried out: industrial and technological growth and competitiveness; development of human resources for industry; equitable development through industrial development; environmentally sustainable industrial development; international cooperation in industrial matters, particularly in investment and technology flows.

20. Those objectives provided the rationale and conceptual framework for UNIDO's future programmes and, together with the pattern of demand for UNIDO services, they were the point of departure for the restructuring process. Priority had been given to the Organization's current internal capabilities, its major comparative advantages and the need for subsectoral specialization. UNIDO should thus be able to establish itself as: a focal point for industrial technology; an honest broker for industrial cooperation; a centre of excellence on industrial development issues; a global source of industrial information.

21. The restructuring exercise itself entailed: reassessment and redefinition of key functions needed for a sharper focus of UNIDO service and substantive capabilities; creation of an organizational structure with a substantive focus and leaner, less hierarchical relationships; effective, quality-determined delivery of services

responding to demand; integration of units to create a critical mass of specialized expertise and promote team-building; ensuring adaptability to change. The result was a more cohesive structure with eight organizational units and fewer intermediate layers of supervision, as described in documents IDB.11/31 and IDB.11/CRP.8.

22. The changes that the new structure and its associated procedures would introduce included: a streamlined top-management structure with two layers instead of three; programme management responsibility at the Division Director level; two permanent coordination mechanisms (a Management Committee and a new Programme and Project Review Committee); a reinforced country focus; a strengthened country presence and field representation; regrouping of major substantive programmes; quality assurance designed into revised project development procedures.

23. The proposed changes were fundamental, but he believed that a fundamental reappraisal of all aspects of UNIDO was crucial at the present juncture.

24. The financial implications had been built in from the beginning. The ceilings foreseen in the programme and budget proposals approved by the Board for submission to the General Conference as document GC.5/14 would remain untouched. Some adjustments would be necessary, however; for example, previous allocations for the Deputy Directors-General and their support staff would be redeployed in accordance with the new priorities outlined in document IDB.11/31.

25. The best scenario for UNIDO was one allowing the new machinery to begin running as fully as possible on 1 January 1994. He therefore intended to present readjusted budget proposals for major programmes and subprogrammes, revised within current ceilings, for approval by the policy-making organs before the end of the year.

26. The decisions he now sought from Member States were: endorsement of the proposals in documents IDB.11/31 and IDB.11/CRP.8; rescinding of decision IDB.1/Dec.11 on the senior staff structure; and approval of revised proposals for the programme of work and related estimates, 1994-1995.

27. Vicomte Georges VILAIN XIIII (Belgium), speaking on behalf of the European Community and its member States, thanked the Director-General for his statement. The Twelve had initiated several attempts to redefine UNIDO's role and structure in the changing world situation and therefore welcomed the Director-General's analysis and far-reaching proposals.

28. In informal consultations earlier in the year, the general view of Member States had been that UNIDO urgently needed to redefine its role and reform itself to maintain and enhance its position as the specialized agency for industrial development in the United Nations system. For years, UNIDO's reform attempts had been deadlocked by indecision on how the Director-General and the Member States should take up their respective responsibilities. The inputs from Member States and the new Director-General's radical and coherent proposals gave UNIDO an opportunity to move with the times.

29. It was clear that UNIDO would have to focus its activities and utilize its comparative advantages. If the full potential of those comparative advantages was to be realized, the concept of critical mass must be accepted. UNIDO would have to tailor its efforts to its resources and focus on what it could competently handle. Efficiency and resources were interrelated; the more efficient UNIDO was, the better it would be able to mobilize funding.

30. At a time when donor budgets were under exceptional pressure, international organizations should make the most effective use of Member States' contributions. That did not mean that UNIDO should be supply-driven and he welcomed the analysis of demand for its services.

31. The European Community and its Member States fully supported the rationale and logic behind the Director-General's proposals. They reflected a constructive approach based on a serious analysis of the strengths and weaknesses as well as the basic principles of the Organization. He welcomed the concentration of resources on certain priorities, and the regional dimension, based on recipients' needs. He would also stress that the concept of global sustainable development, as set out in Agenda 21, was an integral part of all UNIDO's activities.

32. The Community attached great importance to improvement of the overall quality of UNIDO projects and programmes, strengthening of their appraisal and evaluation, a better internal audit and greater cost-effectiveness. Internal savings should be maximized through a comprehensive economy drive, requiring revised financial management and reporting procedures.

33. Decentralization to the field was important; further clarification of how it would be carried out and integrated in overall United Nations policy on field offices would be appreciated.

34. The European Community strongly supported the proposed organizational reform, including the abolition of the current departmental structure and its layer of five Deputy Directors-General. Further details on how the proposals would be implemented would be welcomed.

35. According to the Constitution, the Director-General was responsible for staff matters. The paramount consideration was to be the need for the highest standards of efficiency, competence and integrity. Due regard must be given to ensuring equitable geographical distribution, but there might be initial imbalances, which could not be rectified overnight.

36. UNIDO's main asset was its staff, and the new focus for UNIDO would require the development of a new balance of professional skills. The difficult financial situation was due in part to failure by Member States to meet their obligations in time and to the Organization's severely reduced operational budget income, but also to poor management decisions. The staff's appeal for retraining and in-house human resource development was endorsed.

37. He welcomed the Director-General's intention to push decision-making and responsibility downwards and endorsed the focus on enhanced teamwork and clearly defined responsibilities. Managers should be more accountable, with clear objectives agreed in advance. More information on plans for ensuring coordination would be welcome.

38. The proposed review of administrative procedures would be followed with interest. The Community was ready to consider any necessary

changes to the financial and staff rules that the review might recommend.

39. The Community and its member States were ready to take action on the Director-General's proposals and were convinced that consensus could be achieved. The General Conference session at Yaoundé would be UNIDO's chance to persuade its membership of its credibility.

40. Mr. RAMIREZ (Observer for Ecuador), speaking on behalf of the Group of Latin American and Caribbean countries (GRULAC), said that those countries individually and collectively supported the Director-General's proposals regarding the restructuring, priorities and new objectives of UNIDO. Informal consultations with the Director-General and the staff had given an opportunity for the countries to make suggestions regarding the conversion of UNIDO into an agency that would be less bureaucratic, more sensitive to changes in the international environment and more efficient in the performance of its task of promoting industrial development in the developing countries.

41. The recent regional Consultation and Coordination Meeting held at Caracas under the auspices of the Latin American Economic System (SELA), which had been attended by representatives of 25 countries and of various international organizations, had drawn attention to the effects of the profound changes taking place in the world on industry in the developing countries. The industrialized world was passing through a period of recession while the developing countries were opening up their economies. The countries of Latin America and the Caribbean were promoting the modernization of their productive apparatus and their international competitiveness, but their efforts required new forms of international support and greater industrial cooperation. Among the questions of concern to Latin America and the Caribbean were the problems of financing industrial development and the decrease in resources for international cooperation, particularly those of the multilateral agencies. Concern had also been expressed at the continued existence of various barriers against exports of the region, particularly in traditional industries.

42. The Meeting had noted with satisfaction the five development objectives identified by UNIDO, and also supported UNIDO's desire to stress its main comparative advantages in order to strengthen its position and prestige.

43. At the Meeting, the Director-General had presented his proposals for restructuring and new objectives for UNIDO, which were consistent with the goals of equitable production changes advocated by the countries of Latin America and the Caribbean. The Meeting had supported the Director-General's proposals contained in the document "Priorities and structural reform of UNIDO". It had also agreed that UNIDO should base its activities on the various countries' own strategies and policies so as to give optimal support in line with the comparative advantages of UNIDO and country needs.

44. The Meeting had endorsed the proposals of GRULAC in Vienna as a frame of reference for the regional position in relation to the following aspects: training; development and transfer of technology; the UNIDO programme for industrial modernization and rehabilitation, the UNIDO programme for small- and medium-scale industry; the environment, energy and sustainable industrial development; industrial investment promotion; economic and technical cooperation among developing countries; the external debt and industrial development.

45. The Meeting had stressed that UNIDO should promote the industrial development of all countries of the region, particularly those of the Caribbean and Central America and other less economically developed countries, through cooperation programmes, including links between industry and services, as well as innovative formulas to encourage industrial investment.

46. The Meeting had welcomed the readiness of SELA and ECLAC to support the implementation of the proposals of UNIDO's new management and confirmed their relevance to the new challenges and opportunities. The countries of the region recommended that UNIDO should give high priority to advice to Governments requesting it on the formulation of industrial policies, with a view to redefining the roles of the public and private sectors. In that work, UNIDO should cooperate closely with SELA, ECLAC, the Inter-American Development Bank and other agencies.

47. UNIDO should also maintain close cooperation with regional integration bodies in order to support the development of integration through the various mechanisms existing.

48. The Meeting had emphasized the need to expand horizontal intraregional cooperation, especially agreements among enterprises, in which context the Bolivar Programme on Regional Technological Integration, Innovation and Industrial Competitiveness had an important role to play.

49. The Meeting had stressed the importance of the Regional Forum on Industrial Policy for the exchange of experience, the coordination of cooperation with UNIDO and the monitoring of industrial adjustment in the region. Close relations should be established between entrepreneurs and the authorities responsible for industrial policies in Latin America and the Caribbean in the framework of that Forum. Closer links between the Permanent Secretariat of SELA and UNIDO were also desirable.

50. The Meeting had felt that UNIDO should strengthen its presence in the region and had supported the Director-General's efforts to bring about decentralization.

51. Delegations had expressed their satisfaction at the initiatives taken by the Director-General, who had been assured of their strong support.

52. Mr. BALAZS (Hungary) thanked the Director-General for his proposals on priorities and structural reform of UNIDO and for his informative oral statement. The future of UNIDO might depend on those proposals. Political and economic changes over the past decade had made it essential to restructure the Organization, reassess its priorities and adjust its programme and method of work to present-day realities.

53. Informal consultations had enabled Member States to express their views on future priorities and structural reform, and those views had been taken into account. His delegation looked forward to the implementation of the Director-General's proposals.

54. Document IDB.11/31 correctly analysed changes in the global political and economic environment. He agreed that sustained industrial development should be accompanied by the reduction of social differences and urban poverty, that industrialization should be accelerated and that each country should strengthen its own capacities through the effective utilization of human resources and the mobilization of financial resources. He supported the reoriented priorities of UNIDO and agreed to the five main development objectives. In view of UNIDO's limited financial possibilities, its programmes and activities must be more sharply focused and the services provided more demand-driven.

55. He was gratified to note UNIDO's efforts to identify its possible role in the field of cooperation with economies in transition. That was in full conformity with the objectives set forth in the Constitution. The difficulties being faced by countries in transition were the result of the collapse of an entire socio-economic system and would persist for many years. Well-organized assistance to economies in transition would create new markets and even additional donors for less developed countries.

56. He welcomed the proposed new structure for UNIDO, which would allow efficiency to be increased and expenditure reduced. He supported the elimination of the Deputy Director-General posts, but considered it important to secure the representation of all regional groups in the leadership of the Organization. Close contacts and further consultations between the regional groups and the Director-General in that regard would be essential. However, professional skill and qualifications should be the main factor in the selection of directors. He welcomed the Director-General's intention to strengthen coordination between the future directors, but had some doubts about the viability of the proposed rotation system. However, managerial questions should be left to the Director-General.

57. Mr. CHEN Shiqiu (China) said that document IDB.11/31 reviewed changes in the external conditions affecting UNIDO and the new challenges facing it and also analysed the Organization's strengths and weaknesses. The work done by the Director-General and the Secretariat was commendable. He supported the idea of focusing work priorities on the basis of UNIDO's purposes and in accordance with changing internal and external conditions. The Organization's strengths and financial capabilities should be kept in view in that context, so that it could effectively serve the developing countries.

58. UNIDO had lacked focus in the past. Though many areas had been defined as priorities, they had not been treated as such in practice. It would be better to focus efforts on the Organization's areas of competence.

59. Judging from UNIDO's past successes, he believed that the Organization had a promising future in providing advice on sustainable industrial development, promoting international cooperation between small and medium-scale enterprises, and promoting the flow of international investment and economic and technical cooperation, including cooperation between developing countries.

60. In order to revitalize UNIDO, all Member States, especially the developed countries, should recommit themselves to the purposes and objectives of the Organization. They should meet their obligations and also utilize the services provided by UNIDO. At the same time, UNIDO should strive to improve the quality of its services to the developing countries and improve its attractiveness to the Member States, including the developed countries.

61. He supported the Director-General's structural reform proposals in principle. While structural reform called for a reduction of staff, efforts should also be made to concentrate on improving work efficiency. It was therefore necessary to improve internal administration.

62. In a reform of the personnel system, staff should be recruited on a wide and selective basis and by fair competition. At the same time as few permanent contracts as possible should be granted, in order to maintain the vitality of the Secretariat.

63. Equitable geographical distribution of the staff structure was necessary, especially at a high level; that would help to improve cooperation and coordination among the regions.

64. Mr. VETTOVAGLIA (Switzerland) welcomed the presentation of the Director-General's views on the future framework of action of UNIDO, and wished him every success. However, like a bank, UNIDO needed money in its vaults. Hence the importance of activities for fund-raising, diversification of income and payment for certain services of UNIDO. UNIDO had previously been a poor fund-raiser and its financial resources base might be too narrow for it to attain the critical mass necessary for success.

65. UNIDO also needed to be able to display good-quality technical cooperation projects to its customers. Unfortunately, the quality of many of its projects left much to be desired. Quality management was one of the keys for the future of UNIDO.

66. Next came the Organization's personnel, its main resource. The world had changed greatly since the Lima Declaration, with the disappearance of closed systems of central planning, but the officials of UNIDO had remained the same. They were now dealing with enterprise management, but he questioned whether they had the correct training. The future of UNIDO lay more at the level of enterprises and less and less at the institutional or governmental level. A gigantic effort had to be made to retrain the staff of the Organization.

67. With regard to the organizational chart, he considered that decision IDB.1/Dec.11 could finally be repealed. The five departments of UNIDO had not been notable for teamwork. The eight administrative units could not function without coordination and cooperation. He hoped that modern management methods would make it possible to bring about a change of mentality.

68. The reform would take time, but he hoped that words would soon be followed by action. The priorities stated lacked precision, and he did not yet see clearly how the restructuring would take place. Pending the establishment of new structures, the Director-General and his Secretariat deserved support.

69. Mr. SARBU (Romania) said that the resumed eleventh session was taking place in a period of profound transformations and new challenges for UNIDO which made it necessary to recognize the

Organization's weaknesses and make efforts to remedy them and also to underline its strengths and make more efficient use of them. The Director-General's proposals in document IDB.11/31 contained most of the answers needed.

70. He commended the Director-General and his staff on their proposals for a new UNIDO, which would in future be more focused and more flexible in its action and thus better equipped to serve its customers, the Member States. His country was determined to support the new management of UNIDO in implementing the proposals.

71. The reasons behind the restructuring were well-known. Among the present weaknesses of UNIDO mentioned in the document (paragraph 24), its diminished image and shortage of financial resources were to some extent interrelated. The developed donor countries were less and less willing to commit substantial financial resources to projects managed by UNIDO, preferring instead the bilateral approach. UNIDO must restructure in order to preserve its status as the most important neutral, multilateral, non-profit industrial development organization. He hoped that the new organizational structure would lead to better management of projects and attract some reluctant donors.

72. To his country, as a country in transition, the most important priorities for a restructured UNIDO were: support for future investment promotion and technology development activities and for the mobilization of foreign financial resources; technical assistance at the enterprise level for industrial rehabilitation and the modernization of enterprises that were now State-owned, in order to make them attractive to private investors; assistance for the establishment of an efficient institutional framework to promote a dynamic entrepreneurial culture; assistance at the enterprise level for environmentally sustainable industrial development, reducing energy and raw materials consumption; cooperation with international financial organizations in projects for the reduction and prevention of environmental pollution; assistance in identifying potential partners for strengthening quality assurance systems; support for Romanian economic agents, beginning with those in the private sector, to enable them to benefit from information regarding new technologies and market data contained in UNIDO or other international data banks.

73. Those topics had already been included in the work programme of the joint UNIDO-Romania Centre and he trusted that they would be more actively promoted by the future UNIDO. A stronger UNIDO field presence would be helpful in identifying new projects and better management of ongoing programmes.

74. While his country was advancing towards democracy, the rule of law, political pluralism and the market economy, it had learnt that the transition process was long and difficult. However, it was not discouraged, and it would need the new UNIDO to help it in carrying out reforms.

75. Mr. LAVROV (Russian Federation) noted with satisfaction the general understanding reached to the effect that the reform of UNIDO should be aimed at enhancing its effectiveness through the definition of priorities and the concentration of available resources on those priorities. An important precondition for the success of the restructuring process was the strengthening of the principle of universality. Due consideration needed to be given to the task of providing support to the many countries with economies in transition, in accordance with the relevant resolutions adopted by the General Assembly, in particular resolution 47/187, which recognized that the full integration of those countries into the world economy would have positive effects on world trade, economic growth and development, including that of the developing countries.

76. The reform of UNIDO should also be linked to the general reforms currently taking place within the United Nations system and should involve the development of interlinkages between UNIDO and other specialized agencies and regional commissions, taking account of comparative advantages. The Director-General's proposals set out in document IDB.11/31 contained useful ideas concerning the enhancing of UNIDO's activities in the new conditions. His delegation considered that more concrete proposals should be prepared concerning the better utilization of existing financial resources and the practical implementation of the principle of selectivity in programme activities.

77. The definition of priorities in the Organization's programmes was of crucial significance for the future of UNIDO. His delegation welcomed the efforts of the Director-General along those lines but wished to warn of the possible risk that the Organization might be dissipating its efforts over too many areas of activity. In that connection, it was important to bear in mind the need for closer cooperation with the other agencies within the United Nations system. In his delegation's view, priorities should include the promotion of industrial investment, conversion, privatization, human resource development including training, and industrial and technological information.

78. With regard to the organizational structure of the Secretariat, his delegation had, in the past, advocated a reduction in the number of Deputy Directors-General. The institution of the Deputy Director-General was enshrined in the UNIDO Constitution, having been the key to compromise at the time of the transformation of UNIDO into a specialized agency. That did not mean that his delegation was opposed to reforms that might call for a change in the Constitution. However, all the relevant legal requirements would have to be observed, bearing in mind the ratification procedures and the role of the Programme and Budget Committee. Whatever restructuring arrangement was adopted, the five geographical groups would need to be equally represented within the senior levels of the Secretariat.

79. The Russian Federation had consistently sought to enhance the effectiveness of UNIDO and, despite its financial difficulties, had contributed $5.13 million to the Organization's budget between January and September 1993 and would pay a further $5.1 million by March 1994.

80. Mr. ONSY (Egypt) commended the Director-General on his detailed and useful opening statement. The current resumed session of the Board confirmed the commitment of Member States to the strengthening of UNIDO's activities and to the restructuring of the Organization in line with the changes taking place on the international scene. His delegation had taken part in the informal consultations held over the

previous year, had paid particular attention to the report of the Task Force on Priorities and Structural Reform of UNIDO and had examined the Director-General's proposals as set out in document IDB.11/31. It was clear that, with effective leadership, UNIDO was capable of making a positive contribution to industrial development and was able to adapt to the international changes affecting the industrial development process. It should be emphasized that the restructuring of UNIDO would have to be an ongoing process if the Organization wished to keep in step with the changing international situation and to maintain its role as a coordinator of industrial development programmes and technical cooperation activities. His delegation hoped that the present discussions would enable a consensus to be reached on the Director-General's proposals. UNIDO could thus recover its credibility, enabling Member States, in particular the donor States, to strengthen their political and financial commitment in order that the Organization's objectives could be achieved.

81. While welcoming the proposals set out in document IDB.11/31, his delegation wished to stress a number of aspects that were essential to the restructuring process. In the course of that process, the equitable geographical representation of Member States, particularly in high-level decision-making posts, needed to be ensured; the new structure should enable the Organization to meet its new objectives and provide it with the necessary flexibility for its effective operation; particular attention should be paid to the mechanism for updating information, which was essential for UNIDO policy implementation; and coordination needed to be ensured between the Organization's administrative departments so as to enable them to increase their efficiency and make better use of the resources available to the Organization.

82. His delegation hoped that the forthcoming session of the General Conference at Yaoundé would provide the international community with an opportunity to reassert its support for UNIDO's role in the field of industrial development within the United Nations system, and that UNIDO would take advantage of that occasion to redefine its policies with a view to adapting to the changing economic circumstances.

83. Mrs. Becker (United States of America) took the Chair.

84. Mr. TANAKA (Japan) expressed appreciation for the Director-General's proposals on priorities and the structural reform of UNIDO (IDB.11/31) and on the new organizational structure of UNIDO (IDB.11/CRP.8). Those documents represented the first concrete and serious attempt to renew the Organization following many years of discussion by Member States of the need to adjust UNIDO's activities and organizational structure to the changing world situation. No single reform exercise could be complete in itself and his delegation therefore hoped that the restructuring of UNIDO would be a continuing process, for which the Director-General's proposals provided a good start.

85. His delegation fully agreed that the developing countries themselves should determine their development processes and be primarily responsible for designing programmes tailored to their specific developmental needs. Their commitment was the essential element, and their self-reliance and efforts were key factors for sustainable development. Also, UNIDO should focus first of all on country- or region-specific research, analysis and formulation of strategies for development and on the provision of advice and technical assistance for project implementation. His delegation accordingly supported the Director-General's proposal that UNIDO should devote more attention to "upstream" conceptual work, that the delivery of UNIDO's services should be based on the industrial development strategies drawn up by individual countries, that those strategies should be analysed by UNIDO and that UNIDO country strategies should be elaborated and coordinated by the proposed country strategy and programme development division.

86. Field representation was an important aspect of UNIDO's future activities and should be reviewed and coordinated within the context of the current reform of the United Nations system as a whole. Increasing the quality and number of UNIDO Country Directors (UCDs) was of crucial importance in improving the effectiveness of field services, and assignment to field offices on a basis of rotation should form an integral part of staff career development and promotion. Owing to the financial crisis facing the Organization, financial contributions by host countries for the allocation of UCDs would be essential.

87. With regard to the structural reform of UNIDO, his delegation welcomed the proposed abolition of the five posts of Deputy Director-General, with the resultant delegation of decision-making authority to the D-2 level. However, to avoid over-centralization or decentralization of that authority, consistent coordination at the management level was of paramount importance, and his delegation therefore supported the proposals for the establishment of management and programme committees. It also agreed with the practice of redeployment and the selective recruitment of staff, with emphasis on young and competent Professionals. In order to ensure its future, UNIDO needed to attract young Professionals, and should strive to keep younger staff within the Organization by encouraging initiative. During the process of staff reduction and restructuring, close attention needed to be paid to the underrepresented countries, taking into account the criteria of universality and efficient and effective management. The proposed eight-division organizational structure could prove to be only a reshuffling of the present arrangement and might not reflect the actual needs of UNIDO's future activities in assisting the developing countries. However, his delegation believed that the Director-General should proceed with the proposed overhaul of the structure and seek further improvements at a later stage. Finally, the proposed restructuring would entail considerable changes in the budget appropriation for the biennium 1994-1995. The revision of the programme and budget should be carried out in a manner that would ensure transparency in terms of both procedure and substance.

88. Mr. SINGH (India) expressed appreciation for the Director-General's clear introductory statement and for his radical proposals for revitalizing and restructuring UNIDO, as contained in document IDB.11/31. His delegation hoped that the important discussions to which they would give rise would enable the Board and subsequently the General Conference to take decisions that would make UNIDO a vigorous and effective instrument for promoting sustainable industrial development. It was universally recognized that UNIDO needed to undergo reform, as a result of the changing global situation and the need for the scarce resources

available to be utilized in the best way possible. The developing countries were far from achieving the goal of sustainable industrial development, which would provide markets for capital goods, technology and investment for the recession-hit countries of the North. His delegation hoped that the reform process would result in renewed political and financial commitment from the donor countries to UNIDO and also in a commitment from the recipient countries to make the most effective use of the Organization's services. It fully endorsed the proposed approach for the reorientation and prioritization of UNIDO's services and hoped that environmental protection would also be included among the Organization's new priority areas.

89. It should not be forgotten that UNIDO's mandate was to assist developing countries in their industrial development plans. While the needs of the economies in transition in Central and Eastern Europe were appreciated, substantial resources were being earmarked for them, both bilaterally and multilaterally. UNIDO's programmes for the countries in transition should be based on the availability of additional resources.

90. Turning to specific points in document IDB.11/31, he said that, although chapter I, section A, correctly assessed important trends and changes in certain countries' internal structures, a conducive external environment was also necessary for industrial development, since formidable difficulties were created by external factors, including trade barriers and restraints, restrictions on the transfer of technology and conditionalities on investment and aid flows.

91. The assessment of the emerging pattern of demand for UNIDO's services, as outlined in chapter III, section B, had been based on projects approved or in the pipeline and not on surveys or information obtained from Member States, and did not therefore do justice to new and emerging areas of demand for the Organization's services. However, document IDB.11/CRP.7, also presented to the Board, provided some details of the demand assessment, the method adopted and its limitations.

92. With regard to paragraphs 39-46 of document IDB.11/31, which identified the main objectives of UNIDO's operations, the highest importance should be accorded to investment promotion, resource mobilization, technology development, transfer and adaptation and human resource development. Only when such basic requirements were met could consideration be given to environmental sustainability and equitable development. With regard to the question of equitable development, at the national level the setting of objectives and fixing of criteria were the responsibility of Governments and should not be imposed from outside or applied as conditionalities; at the international level, a clear recognition was called for of the need to narrow the gap in industrial development between the developed and the developing countries through mutually supportive measures in trade, finance and technology transfer.

93. His delegation agreed with the broad range of services to be expected from UNIDO (paragraphs 47-48) and with the comparative advantages of UNIDO, as set out in paragraphs 52-54, which deserved the full support of all Member States. UNIDO should continue to work at all three levels: policy, institutional and enterprise. With regard to subsector specialization, UNIDO should be encouraged to set up expert panels with which it could consult in subsectoral areas where it was not possible to maintain in-house expertise, since UNIDO must not cut itself off from technical developments in frontier areas that could have a profound impact on industry. On the matter of field representation, the subregional centres must not be allowed to become another layer of bureaucracy between the countries and UNIDO Headquarters. They needed to have good and rapid communication links with each country and with Headquarters. The centres should ensure that the countries concerned were adequately serviced, which might involve an increase in travel costs owing to the need to make regular visits. A careful examination was thus called for. His delegation fully supported the points made on the mobilization of financial resources (paragraphs 63-65), and trusted that UNIDO's revised structure would adequately strengthen its capability in that area. Resource mobilization required increasing efforts, and the involvement of programme managers in those efforts was important.

94. His delegation congratulated the Director-General on his bold and innovative proposals for restructuring UNIDO, as set out in chapter IV of document IDB.11/31 and in document IDB.11/CRP.8, and supported his proposals for a flatter organizational structure. However, a balance between the various regional groups needed to be preserved at the D-2 level, which would mean at least four D-2-level posts being provided for the developing countries in order to maintain the current level of representation of those countries at the top levels, and the imbalances at the D-1 and middle levels also needed to be corrected. There was no dearth of well-qualified candidates in the developing countries, and the criteria of efficiency and competence could be met without difficulty.

95. His delegation approved the basic thrust of the proposed restructuring arrangements and was anxious that UNIDO's capacity to deliver its services should improve as much as possible and that disruptions during the necessary transitional period would be kept to a minimum. It would urge the Director-General to pay particular attention to strengthening the departments concerned with substantive activities. It was also anxious that the project approval mechanisms employed by UNIDO should operate smoothly and swiftly and not suffer from excessive bureaucratization and over-centralization. Having agreed upon a project, the donor and recipient expected UNIDO to assist in implementation and not in a detailed re-examination exercise. Were that to happen, projects would be implemented by other agencies. Simple, basic and clear criteria needed to be laid down for projects that UNIDO should implement.

96. Mrs. Machado Quintella (Brazil) resumed the Chair.

97. Mr. AALTO (Finland) said that the recent changes in the international economic climate, particularly in the internal economic structures of many countries, had proved much more complex and far-reaching than had been imagined only a few years previously. The readiness of UNIDO to respond to the challenges posed by those changes had so far been insufficient. It was gratifying

to note that the Director-General's proposals concerning priorities and the structural reform of UNIDO (IDB.11/31) constituted a major step forward. They were based on a correct assessment of the new economic and political environment, where the Organization's analytical work and policy guidance were much needed to create the proper enabling conditions for industrialization. The starting point had to be the needs of the recipient countries; hence UNIDO needed to be a demand-driven organization. The overall concern of any organization with a broad mandate and limited resources had to be a sense of priorities and high-quality management, both of which figured prominently in the proposals. His delegation also welcomed the proposals concerning the need to streamline and simplify the organizational structure while ensuring better internal coordination of activities.

98. There were still serious question marks regarding both the contents and the implementation of the proposals. With regard to budgetary matters, his delegation felt that the Organization needed to base its work primarily on the regular budget and not on expected extrabudgetary funding. Although the document referred to the specific role of UNIDO among international development organizations, it did not elaborate on questions of cooperation and division of labour. A particular issue in that respect concerned field representation, where the optimum utilization of scarce resources needed to take account of the interests and needs of all the organizations of the United Nations system concerned.

99. Finally, the role of women in the development of human resources for industry needed to be taken into consideration throughout the Organization.

The meeting rose at 1 p.m.